(d) if so, the details of drugs that are going to become cheap?

THE MINISTER OF CHEMICALS AND FERTILIZERS (SHRI RAM VILAS PASWAN): (a) Drugs and medicines have been brought under the levy of excise duty on the basis of retail price, *vide* notification No. 2/2005-Central Excise (NT) dated 7.1.2005. For this purpose, 35% on retail price had been provided as abatement, i.e. the excise duty was made chargeable on 65% of the retail price. Subsequently, the Government has revised the abatement level to 40% *vide* Notification No. 4/2005-Central Excise (N.T.) dated 23.2.2005.

(b) to (d) Prior to 8.1.2005, drugs and medicines were leviable to excise duty on ad valorem basis and the duty was levied on the basis of transaction value ex-factory. There were wide variation between ex-factory prices (assessable value) and the declared retail price of drugs, which led to valuation disputes. Retail price based levy of excise duty is to facilitate assessment and provides uniformity. The change in the mode of assessment of excise duty on drugs is not expected to have an impact on the retail prices of drugs and medicines.

Margin on Drugs

515. SHRI K. RAMA MOHANA RAO:
SHRI RAMA MUNI REDDY SIRIGIREDDY:

Will the Minister of CHEMICALS AND FERTILIZERS be pleased to state:

(a) whether, according to a study conducted by Government, the Pharma Companies are giving 1000 per cent margin on some of the drugs such as Nimesulide, Omeprozol, Cetrizine, etc.;

(b) if so, what the National Pharmaceutical Pricing Authority is doing in this regard;

(c) whether it is a fact that Sandhu Committee has been constituted to look into all these aspects; and

(d) if so, what are the recommendations made by the Committee?

THE MINISTER OF CHEMICALS AND FERTILIZERS (SHRI RAM VILAS PASWAN): (a) and (b) The Drugs (Prices Control) Order, 1995 (DPCO, 1995) was promulgated by the Government *vide* S.O. 18(E) dated 6.1.1995. The 74 bulk drugs specified in its First Schedule and the

formulations based thereon are under price control and their prices are fixed/revised by the National Pharmaceutical Pricing Authority (NPPA) in accordance with the provisions of the DPCO, 1995. These drugs have been identified for inclusion under price control in the DPCO, 95, on the basis of criteria mentioned in the "Modifications in Drug Policy, 1986," announced in September, 1994. These criteria take into account the extent of usage and the market competition of various drugs.

Cetrizine Nimesulide and Omeprazole are non-Scheduled formulations. Prices of non-Scheduled formulations are fixed by the manufacturers themselves keeping in view the various factors like cost of production, marketing/selling expenses, R&D expenses, trade commission, market competition, product innovation, product quality etc. The Government takes corrective measures whent the public interest is found to be adversely affected.

NPPA has collected data on trade margin being offered by the manufacturers to the retailers for a limited sample. It was noted that some manufacturers had offered high margin to the retailers, however, the market share of such medicines was small.

(c) and (d) The Government constituted a Committee, on 19th August, 2004 under the Chairmanship of Joint Secretary (PI) to examine the span of price control (including trade margin) in the light of National Common Minimum Programme.

This Committee has submitted its interim report to the Government. The Committee has recommended, *inter-alia*, intensive monitoring on the prices of all those drugs out of the selected basket (National List of Essential Medicines, 2003) which are not under price control, ceilings on trade margins of drugs, a system of price negotiations for the new patented drugs, special schemes for people below poverty line, introduction of Rajasthan Model of Life Line Fluid Stores (hospital pharmacy stores run by Medicare Societies) for bulk purchase of drugs directly from manufacturer and selling them at reduced prices, compounding of offences under the Essential Commodities Act, establishment of DPCO cells in all States on the model of Karnataka, price negotiations at the time of launching of a new patented drug, efforts to increase public awareness, wide publicity to policies and decisions of the Government and NPPA etc. Follow up action has been initiated on the recommendations of the Committee made in its interim report.